

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

In the Matter of)	
)	CONSENT ORDER
HARVARD SAVINGS BANK)	
HARVARD, ILLINOIS)	FDIC-15-0075b
)	2015-DB-05
(ILLINOIS CHARTERED)	
INSURED SAVINGS BANK))	
)	

Harvard Savings Bank, Harvard, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C.

§ 1818(b), and under Sections 9009, 9015, 9018, 9018.1, 9018.2, 9018.3, 9018.4, 11001, and 11002 of the Savings Bank Act ("SBA"), 205 ILCS 205/9009, 9015, 9018, 9018.1, 9018.2, 9018.3, 9018.4, 11001, and 11002, and under 38 Ill. Adm. Code, part 1075, subpart I, regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking ("Division"), and having waived those rights, entered

into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Division, dated May 15, 2015, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the Division.

The FDIC and the Division considered the matter and decided to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and the SBA, 205 ILCS 205/1001 et seq., have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), or in Section 11005 of the SBA, 205 ILCS 205/11005, and its successors and assigns, take affirmative action as follows:

DIRECTORS AND SENIOR EXECUTIVE OFFICERS

1. During the life of this ORDER, prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the Regional Director

of the Chicago Regional Office of the FDIC ("Regional Director") and the Division. For purposes of this ORDER, "senior executive officer" is defined as in Section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i) and Section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

CAPITAL

2. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of nine (9.0%) percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of thirteen (13.0%) percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(b) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve

public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC's Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 for its review. Any changes requested to be made in the materials by the FDIC shall be made prior to their dissemination.

(c) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) calendar days of the date any material development or change was planned or occurred, whichever is

earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(d) As of the effective date of this ORDER, the Bank shall continue to execute its plan to sell or merge itself into another federally insured financial institution or to otherwise immediately obtain a sufficient capital investment into the Bank to fully meet the capital requirements of this paragraph. The Bank shall provide updates regarding its progress in meeting the requirements of this paragraph with the progress reports required by paragraph 10 of this ORDER.

LOSS CHARGE OFF

3. As of the effective date of this ORDER, the Bank shall charge off from its books and records any asset classified "Loss" in the Report of Examination dated December 8, 2014 ("Report").

INVESTMENT ACTIVITIES

4. Within thirty (30) days from the effective date of this ORDER, the Bank shall review and revise the Investment Policy where necessary to conform in all respects with the Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities. At a minimum, the revised

Investment Policy shall require management to: (a) conduct its own pre-acquisition analysis, or to the extent possible, make use of specific third party analyses that are independent of the seller or counterparty; (b) validate collateral prior to the purchase of the investment security; (c) establish limits on concentrations commensurate with the Bank's capital position, safe and sound banking practices, and overall risk profile of the Bank; and (d) assess the creditworthiness of the issuer or counterparty and inquire into the general reputation of the dealer.

CONCENTRATIONS

5. Within ninety (90) days from the effective date of this ORDER, the Bank shall improve concentration risk management procedures and take steps to reduce and control the Bank's exposure to concentrations as a percentage of total capital.

LIQUIDITY

6. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written contingency funding plan ("Liquidity Plan").

The Liquidity Plan shall identify sources of liquid assets to meet the Bank's contingency funding needs over time horizons of one month, two months, and three months. At a minimum, the Liquidity Plan shall be prepared in conformance with the Liquidity Risk Management Guidance found at FIL-84-2008, as supplemented by FIL-13-2010.

(b) The Bank shall submit to the Regional Director and the Division a liquidity analysis report in a format and time frame that is acceptable to the Regional Director and the Division.

(c) A copy of the plan required by this paragraph shall be submitted to the Regional Director and the Division.

(d) Upon the effective date of this ORDER, the Bank shall maintain an account relationship with the Federal Reserve Bank of Chicago to exchange and settle payment transactions through a clearing account balance.

CORRECTION OF VIOLATIONS

7. Within sixty (60) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations and contraventions of policy statements listed in the Report and shall adopt and implement appropriate procedures to ensure future compliance with all

applicable federal and state laws, rules, regulations, and statements of policy.

STRATEGIC PLAN

8. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components. The written strategic plan shall address, at a minimum:

- (i) Strategies for pricing policies and asset/liability management; and
- (ii) Financial goals, including proforma statements for asset growth, capital adequacy, and earnings.

(b) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any

actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(c) The strategic plan required by this ORDER shall be revised thirty (30) days prior to the end of each calendar year during which this ORDER is in effect. Thereafter the Bank shall approve the revised plan, which approval shall be recorded in the minutes of a board of directors' meeting, and the Bank shall implement and adhere to the revised plan.

(d) Copies of the plan and revisions thereto required by this paragraph shall be submitted to the Regional Director and the Division.

NOTIFICATION TO SHAREHOLDERS

9. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy of this ORDER: (a) in conjunction with the Bank's next shareholder communication; or (b) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

10. Within forty-five (45) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division

written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof.


The effective date of this ORDER shall be the date of its issuance by the FDIC and the Division.

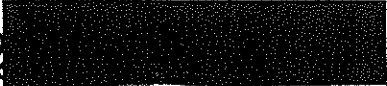
The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the Division.

Pursuant to delegated authority.

Dated: June 8, 2015.



M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

Michael J. Mannion
Director
Division of Banking
Illinois Department of
Financial and Professional
Regulation